Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 1/22/2003

GAIN Report #SN3001

Singapore

Product Brief

Confectionery

2003

Approved by:
Bonnie Borris
U.S. Department of Agriculture
Prepared by:
Stanton Emms & Sia

Report Highlights:
Total market size of $195 million of confectionery products include chocolate products, chocolate bars, hard-boiled sweets and toffees, sugar candies and medicated sweets. Most of the confectionery consumed in Singapore originates from overseas. The U.S. is a major chocolate supplier to the Singapore market. Major competitors include Malaysia, Australia, China and Thailand.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Kuala Lumpur [MY1], SN

1. Singapore in Profile

Singapore (population of 4.1 million) is one of the most affluent nations in Asia with a GDP per-capita of about US$20,732 today. About 22% of the population are aged 15 years and below, which represents a sizeable pool of future consumers who will be an important driver for increased consumption of imported food and beverages in future. Over 76% of its population make up the middle to upper income group of consumers, all of whom lead an urban lifestyle and represent the bulk of the market for imported food and beverages today.

Singapore's economy is based mainly on its strong export manufacturing and financial and business service sectors. Prior to the Asian economic downturn of 1997/1998, its economy had been growing in excess of 8% per annum. In 2001, Singapore's GDP contracted by 2.0%, largely due to the contraction in the manufacturing sector which was negatively impacted by global recession, particularly the downturn in demand from the technology sector in 2001.

On a positive note, the government forecasts Singapore's economy to grow by around 2.5 % in 2002 based on expectations of modest recovery in exports of electronics to the key world economies such as the USA and Japan. Most economists forecast Singapore's economic growth for 2003 to improve to around 4% based on their expectation of a continued recovery in global trade.

2. Singapore's importance as a regional distribution hub

Singapore is generally recognised as Southeast Asia's main distribution hub. The facilities offered by its highly efficient airport and seaport have encouraged a large number of businesses, including food manufacturers and ingredient suppliers, to base their operations in Singapore to serve their regional markets.

In 2001, US$ 1.1 billion of food and beverages were re-exported from Singapore to various countries in the world. Of this, around 35% were shipped to ASEAN countries, with Malaysia being the main destination. A large proportion of imported confectionery is re-exported to as many as 50 different countries worldwide. Re-export to neighbouring ASEAN form significant proportions, as much as 60 % for some product segments, of the re-export trade out of Singapore. More details on this matter are provided in the next chapter to this report.

3. Singapore's confectionery market

Singapore's market for confectionery is supplied by both locally manufactured products and by imports. The vast majority of confectionery is imported.

3.1 Market size

The market is made up of around US$85 million in imports of chocolates, medicated sweets and other sugar confectionery and over US$ 110 million of local production of chocolates and chocolate products, largely ingredients. Close to 95% of the locally produced chocolates and chocolate products are directly exported to overseas markets. No separate information is provided for local production of other confectionery because it is considered a minor industry by the government.

Singapore's chocolate market is divided into segments which cover:

a. Low end Asian produced dark compound chocolates.
b. Chocolate bars and novelties with Malaysian or second-tier brands.
c. International branded chocolate products.
d. Gift chocolates, including specialty chocolates.

The market for sugar confectionery includes the following segments:

1. Traditional sugar candies (mainly Chinese style products).
2. Imported hard boiled sweets and toffees.
3. Sugar based novelties.
4. Medicated sweets.

No commercial market exists for chewing gum, bubble gum or other gum based confectionery as the government banned commercial import, manufacture and sale of these products in 1992. However, recent talks between trade officials from Singapore and the USA to negotiate a free-trade agreement between the two countries indicate that Singapore may allow the import and sale of "sugarless gum prescribed by medical doctors and dentists as having therapeutic and medicinal benefits". Such products may be sold in pharmacies under the doctor's prescription only. The free-trade agreement is expected to be signed in 2003.

3.2 Imports

The Table below provides the total imports of confectionery for the five years from 1997 to 2001.

Confectionery Imports (Tonnes)					
	1997	**1998**	**1999**	**2000**	**2001**
Chocolates	9,728.3	7,610.8	8,895.6	11,270.1	11,788.8
Medicated sweets	165.8	180.7	317.1	366.8	576.5
Other sugar confectionery	8,510.7	6,534.8	7,688.6	8,020.5	7,567.5
Total (Tonnes)	18,404.8	14,326.3	16,901.3	19,657.4	19,932.8
Total (US$ million)	79.4	59.8	72.0	83.1	84.9
% change in imports (Tonnes)		-22	+18	+16	+1
Source: Department of Statistics					

Chocolates and other sugar confectionery form over 97% of total imports in 2001.

The top 3 major supply countries in 2001 are shown by the Table below.

Major Supply Countries and Their Import Market Shares (2001)		
Chocolates	Medicated Sweets	Other Sugar Confectionery
USA (28%)	Malaysia (43%)	China (29%)
Australia (19%)	UK (24%)	Malaysia (22%)
Malaysia (14%)	China (8%)	Thailand (12%)
Source: Department of Statistics		

A large number of countries supply confectionery to Singapore. In 2001, there were 38 countries involved in supplying chocolates, 24 countries involved in supplying medicated sweets and 42 countries involved in supplying other sugar confectionery to Singapore.

The USA is a major supplier of confectionery to Singapore, with the largest import market share for chocolates, fourth largest for medicated sweets and eighth largest for other sugar confectionery. Its major competitors for confectionery are Malaysia (chocolates, medicated sweets and sugar confectionery), Australia (chocolates), China (medicated sweets and sugar confectionery) and Thailand (other sugar confectionery).

3.3 Re-exports

The Table below provides the total re-exports of confectionery from Singapore from 1997 to 2001.

Confectionery Re-Exports (Tonnes)					
	1997	**1998**	**1999**	**2000**	**2001**
Chocolates	3,222.1	1,788.9	1,933.6	2,602.7	3,843.7
Medicated sweets	37.5	75.2	46.3	56.0	49.3
Other sugar confectionery	3,440.6	2,205.2	1,953.7	1,990.7	2,394.3
Total (Tonnes)	6,700.2	4,069.3	3,933.6	4,649.4	6,287.3
Total (US$ million)	20.8	14.8	14.7	19.3	24.2
% change in total re-exports (Tonnes)		-39	-3	+18	+35
Source: Department of Statistics					

Singapore re-exports chocolates to around 36 different countries, medicated sweets to 8 different countries and other sugar confectionery to 50 different countries.

Re-exports to ASEAN countries formed around 39% of total re-exports quantities in 2001, as shown below:

- Chocolates: 26 %
- Medicated sweets : 45 %
- Other sugar confectionery : 61 %

3.4 Local production

The Table below provides the total value of local chocolate production for the five years from 1996 to 2000. No details are available on other confectionery production as the government considers such production to be a minor industry. At the time of writing, the statistics for 2001 has not yet been released by the government.

Local Production of Chocolate and Chocolate Products (Sales : US$ million)					
	1996	**1997**	**1998**	**1999**	**2000**
Chocolates	104.7	110.2	134.6	132.4	116.0
Note: Production quantity in tonnage is not provided by the government. Source: Economic Development Board					

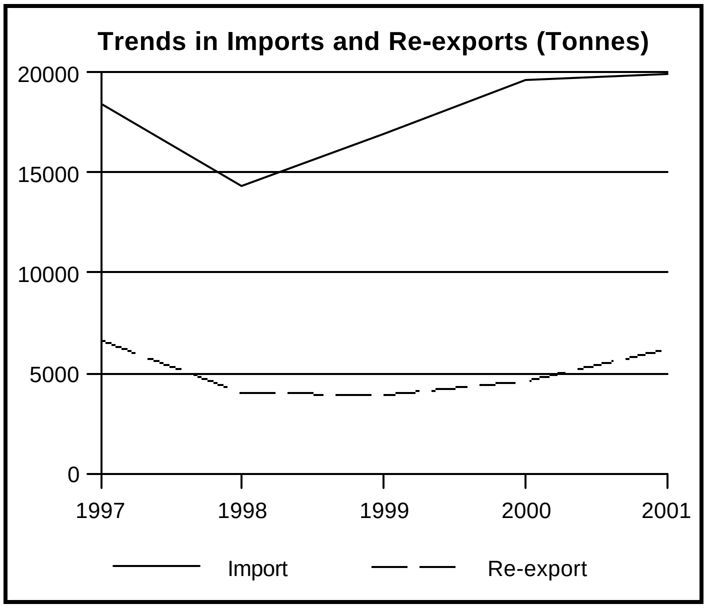
The Table above shows that local production of chocolate and chocolate products has been growing for the four years to 1999 but in 2000 declined to levels seen in 1997. In 2000, six local businesses were involved in the production of chocolates and chocolate products, including ingredients, with total sales valued at US$ 116 million. According to the Economic Development Board, these companies are involved in both the local and export markets.

In Singapore, these companies face very strong competition from imported chocolates from the USA, Malaysia and Australia.

Export markets are very important to the local chocolate manufacturers. In 2000, US$ 111.1 million of locally manufactured chocolates and chocolate products were directly exported to overseas markets, forming a very large proportion of local production. Most of the exports were for chocolate ingredients. Major export markets include Hong Kong, Malaysia and Saudi Arabia.

3.5 Growth prospects

The Chart below shows the trends in imports and re-exports of confectionery over the five years to 2001.



The Chart above indicates that overall imports as well as re-exports of confectionery declined in 1998 because the confectionery market was negatively affected by the economic slowdown experienced in Singapore that year, but imports and re-exports recovered thereafter to reach similar levels as those seen in the peak of 1996/1997.

Trade sources indicated that the confectionery market is likely to show slow growth of less than 5% over the next three years under conditions where Singapore's future economic growth remains at low rates.

They added that, to be successful in the market for the long term, the most important factors are the price and advertising and promotional support given to the brand by the supplier, particularly during the peak demand seasons. The confectionery market is saturated with products of various types and brands, all competing in a market of around 4 million. The major players today compete in niche segments to find growth. The players are also careful in targeting their customers, particularly those that have not been fully exploited yet.

On the positive front, opportunities still continue to exist in the Singapore niche market segments such as:

- The gifts market targeting the major festive periods, particularly Christmas, Deepavali, Hari

Raya and Chinese New Year as well as Valentine's Day, Mother's Day and Teacher's Day. Chocolates and specialty chocolate products as well as specialty sugar confectionery see high demand during these periods. The middle to high income local consumers should be targeted with high quality products that have very attractive high quality packaging. The western expatriate consumers should form a ready consumer base for these products. US exporters should also work closely with major retailers and gift hamper companies to establish their long term presence.

- Novelty chocolate products and sugar confectionery targeted at children. The Singapore market still has a limited range and variety of novelty chocolate products and sugar confectionery targeted at children compared to markets found in the west. This segment has not been fully exploited and opportunity exists for attractively packaged products which are not already on the shelf. They should include "fun" confectionery with high quality packaging which should be attractive to appeal to children. However, the packaging size and price must be right to fit young consumer expectations.

The success of the above mentioned products will be at the expense of existing products on the shelf. The US suppliers' marketing strategy for their brands in the market will also be very important. According to the trade, such products will definitely not succeed if pushed into the market without advertising and promotional support, in view of the competition that already exists in the market.

Re-export market opportunity exists for the following types of products:

- Chocolate and chocolate products.
- Other sugar confectionery.

Opportunities exist in Malaysia (population of 24.5 million) and Brunei (population of 0.3 million) for the above mentioned products. These ASEAN countries exhibit similar market demand characteristics to Singapore and therefore the same products and brands imported into Singapore may be re-exported to these countries. In addition, consumer spending in Malaysia is expected to pick up over the next three years which shall present opportunities to suppliers of confectionery.

US exporters intending to explore the opportunities highlighted above are advised to perform detailed market research in these markets to better understand the market characteristics and identify in more detail the opportunities for their products types.

4. Consumer tastes and preference

Singaporeans do not snack in the same manner as western consumers. If they are hungry in between meals, they will normally consume a snack meal, i.e. a small meal such as noodles, local cakes and buns, local curry puffs, kaya toast, baked products such as plain or savoury biscuits, savoury Asian-style fruit snacks and alike, rather than a sweet confectionery such as chocolate or other sugar confectionery.

Local consumers generally do not have a sweet tooth when compared to western consumers. This is because the traditional diet is more inclined to be savoury than sweet. The majority ethnic Chinese consumers also believe that chocolates are “heaty”(not healthy) and over consumption will cause sore throats, skin problems and other health-related problems. Unlike in the west, most Singaporean mothers do not carry a ready pack of sweets in their handbag for their children. Generally, children are the decision drivers when it comes to purchase of sweet confectionery. Mothers are more likely to buy sweet confectionery for their children on impulse, usually when they happen to go shopping with their children.

In addition, the government’s continuous nationwide drive for a healthy lifestyle has resulted in a large number of consumers becoming better informed about healthy diets and has encouraged many to be more weight conscious. All these act as barriers to increased consumption of sweet confectionery by Singaporeans.

Confectionery, particularly chocolates, are indulgence foods. In an economic downturn, this market segment is usually one of the first to experience a slowdown in demand. This was demonstrated in 1998 when imports of confectionery fell by 22% compared to 1997. Re-export trade also fell that year by close to 45% when most of the ASEAN countries suffered economic downturns.

Despite the barriers mentioned above, Singapore has seen imports of confectionery grow by around 2% per annum over the past five years. The following demand traits exist in this market:

- The chocolate bar market is dominated by Singapore’s sizeable expatriate population with a smaller proportion of Singaporean consumers participating in the market segment. Chocolate bars of 100 grams to 200 grams are popular amongst these group of consumers. Brands are important to them and popular brands include Cadbury (Australia, Malaysia, UK), Mars (Australia), Nestlé (Malaysia, Australia), Hershey’s (USA) and Van Houten (Malaysia).

- An indulgence driven gift market exists which targets the traditional gift giving seasons of Chinese New Year, Hari Raya and Christmas and other recently introduced gift giving seasons such as Valentine’s Day, Teacher’s Day and Mother’s Day. The major gift giving season runs from November through to the following February. This segment is highly sensitive to economic change. Packaging is very important in this market segment and should be attractive and be of high quality. Popular gifts include attractively packaged novelty chocolates and sugar confectionery targeting the children and attractively crafted and packaged specialty chocolates targeting the adult consumers. Well known brands of ready-packaged gift chocolates include Guylian (Belgium), Ferrero Rocher (Italy), Nestlé (UK) and Cadbury (UK). **High quality specialty/gourmet chocolates retailed from specialty counters/stores located in high end shopping centres have emerged in the past two to three years. These chocolates are sold by weight and usually packed into attractive gift boxes for the customers**. Both high income locals and expatriates are active in this segment.

- An indulgence driven chocolate novelties market targeting children. This market is highly sensitive to economic change. The purchasing decision makers are mainly mothers who usually only purchase these products at a whim or on impulse. Popular brands include M&M's (Mars: USA, Australia), Kit Kat, Smarties, Maltesses (Nestlé: Malaysia, UK).

- An indulgence driven Japanese style sugar confectionery market demanded by children. These are very attractively packaged and colourful sugar confectionery popular with young children. They generally have a very fruity taste.

- The traditional local style soft and hard boiled sweets which are not brand driven products. These are the most commonly consumed sugar confectionery which are consumed by both adults and children. They form the bulk of the sugar confectionery demand. Cheaper sugar confectionery such as sweets and candies (US$ 0.60 for each package) are daily purchase items by children.

- The medicated sweets segment is still a niche segment. This product is demanded by a small number of consumers aged between 13 and 40 years. These products are usually consumed as breath fresheners and a large number of brands exist in the market. Well known brands include Clorets (Thailand), Ricola (Switzerland), Lofthouse's Fisherman's Friend (UK), TicTac (Australia). These products have been pushed as an alternative to chewing gum.

The chocolate bar and gift market segments are highly competitive with large amounts of promotional activities undertaken by the major international brands just prior to the gift-giving seasons. These include Nestlé, Cadbury, Mars and Hershey's in the chocolate bar segment and Guylian (Belgium), Cadbury, Nestlé and Ferrero Rocher (Italy). Most of these brands command premium display spaces in the medium to high end retail stores.

5. Brief import requirements for confectionery

Singapore is virtually a free port. No import duty is imposed on imported chocolates, medicated sweets and other sugar confectionery. A Goods and Services Tax (GST) at the rate of 5% (3% prior to 31 December 2002) is imposed on the importation of goods into Singapore, calculated based on the CIF (Cost, Insurance, Freight) value in Singapore dollars.

Processed food and beverages can only be imported to Singapore by Singapore based businesses that have been registered by the Food Control Division (FCD) of the Agri-Food and Veterinary Authority (AVA) as approved to import a particular category or categories of products.

Import permits are required for every consignment of processed food and beverages that are imported. These permits are issued by the AVA and will only be issued to importers that are registered with the AVA's FCD.

When food enters Singapore, companies must submit the proper documentation to the Controller of Imports and Exports. An inward cargo manifest must be submitted to Customs within 24 hours of arrival of the carrier. All declarations are required to be submitted and approved electronically through the EDI network called the TradeNet System.

Once the GST has been paid, the confectionery products are allowed to enter Singapore free of any condition unless they are in breach of Singapore's food regulations. The Singapore food regulations are embodied in the Sale of Food Act Chapter 283 and The Food Regulations 1990 and subsequent amendments have been made via subsidiary legislation.

The food regulations cover minimum or permitted levels of a wide range of food additives in each food type, packaging, labelling requirements, sale by date and health claims by products. The regulations are strictly applied and enforced to maintain the highest possible quality for food to ensure the safety of its Singapore residents.

The Singapore government's policy is to keep its food regulations up-to-date and in line with all new aspects of food technology and production. For this reason, the reader is advised to check on the most recent legislation as they are likely to be changes in future.

6. Distribution patterns

The bulk of confectionery products is imported by local importers and agents for distribution to retail outlets throughout Singapore.

Sugar confectionery and breath fresheners are distributed to:

- supermarkets and minimarkets.
- specialty confectionery stores and counters/kiosks located within high end shopping centres which specialise in Asian confectionery (especially Japanese and Taiwanese products) but also sell popular western products.
- convenience stores.
- petrol station stores.
- local neighbourhood grocery stores.
- newspaper kiosks.
- gift hamper businesses (only specialty sugar confectionery).

Chocolate and chocolate products are distributed to:

- supermarkets and minimarkets.
- specialty chocolate stores and counters/kiosks located within high end shopping centres and the airport.
- convenience stores.

- petrol station stores.
- local neighbourhood grocery stores.
- gift hamper businesses.

The food service sector has no demand for sugar confectionery while demand for chocolate is small and is mainly by high end hotel restaurants. The high end hotel chefs usually produce their own specialty chocolates for sale at their bakery outlets.

Distribution of chocolate in Singapore is challenging because of the hot climate which can rapidly damage the product quality. These products have to be stored and distributed under cool conditions to prevent any deterioration in the quality. Apart from chocolate and chocolate products, other confectionery products do not require any special handling although good quality packaging is very important because insect infestation can be a major problem in Singapore's distribution system.

US exporters targeting the main supermarket channels should note that most of these businesses now impose listing fees on items such as confectionery and operate category management systems. Under such systems, the performance of a product is closely monitored. If a product's performance fails to satisfy the requirements of the retailer, it will likely be de-listed and removed from the display shelf and replaced by more profitable products.

END OF REPORT